

**CAL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 12
Statement of Activities	B 13-14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 19
Statement of Cash Flows	H 20
Notes to Financial Statements	21-26
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	27
Notes to Required Supplementary Information - Budgetary Reporting	28
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 29
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 30
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 31
Comparison of Taxes and Intergovernmental Revenues	4 32
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	33-34
Schedule of Findings	35-36

CAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

Roy Plagge	President	2004
Mark Johansen	Vice President	2004
Craig Johnson		2005
Jacki Anderson		2005
Lee Schaefer		2006

(After September, 2004 Election)

Roy Plagge	President	2007
Mark Johansen	Vice President	2007
Craig Johnson		2005
Jacki Anderson		2005
Lee Schaefer		2006

SCHOOL OFFICIALS

Lyle Schwartz	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

Independent Auditor's Report

To The Board of Education of the
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of CAL Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2005 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 27 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

November 17, 2005

CAL COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$2,562,644 for fiscal 2005, while General Fund expenditures were \$2,389,946 in fiscal year 2005. This resulted in the District's General Fund balance of \$805,907, which was an increase of \$172,698 from the balance in fiscal year 2004 a 27% increase.
- The District collects School Infrastructure Local Option Sales Tax from Franklin and Wright Counties during the year. This money can be used in the same manner as the Physical Plant and Equipment Levy. The Capital Projects Fund increased over \$130,000 during fiscal year 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
CAL Community School District

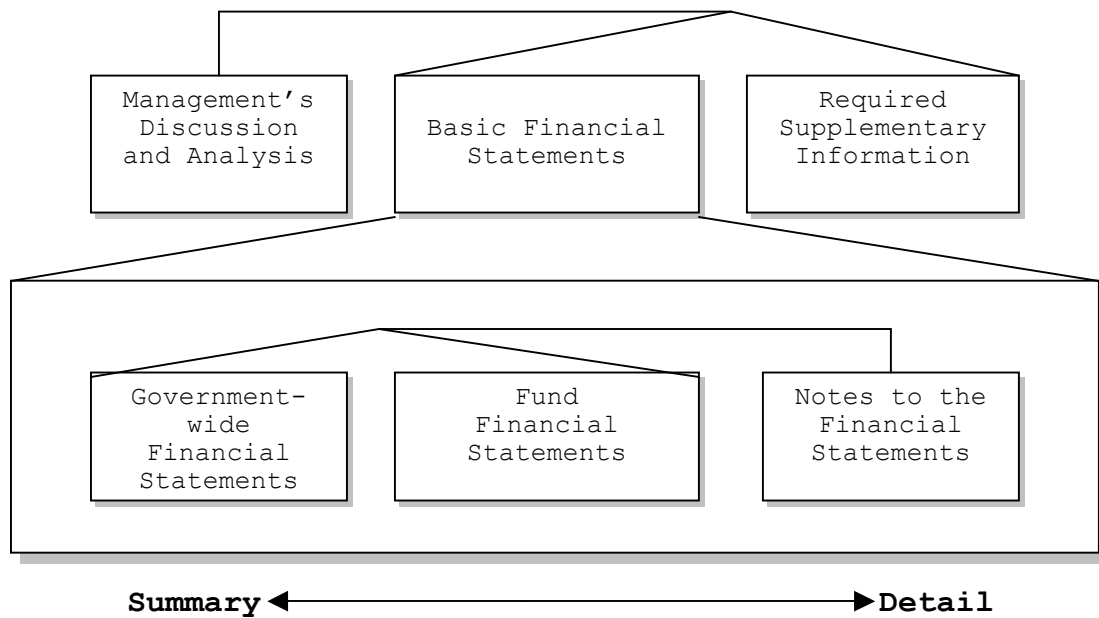


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. Declining student enrollment also impacts the District's overall financial health.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	2,545	2,301	26	26	2,571	2,327	10.49%
Capital assets	<u>1,634</u>	<u>1,572</u>	<u>-</u>	<u>3</u>	<u>1,634</u>	<u>1,575</u>	<u>3.75%</u>
Total assets	<u>4,179</u>	<u>3,873</u>	<u>26</u>	<u>29</u>	<u>4,205</u>	<u>3,902</u>	<u>7.77%</u>
Current liabilities	1,251	1,326	-	1	1,251	1,327	-5.73%
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Total liabilities	<u>1,251</u>	<u>1,326</u>	<u>-</u>	<u>1</u>	<u>1,251</u>	<u>1,327</u>	<u>-5.73%</u>
Net Assets							
Invested in capital assets, net of related debt	1,634	1,572	-	3	1,634	1,575	3.75%
Restricted	295	175	-	-	295	175	68.57%
Unrestricted	<u>999</u>	<u>800</u>	<u>26</u>	<u>25</u>	<u>1,025</u>	<u>825</u>	<u>24.24%</u>
Total net assets	<u>2,928</u>	<u>2,547</u>	<u>26</u>	<u>28</u>	<u>2,954</u>	<u>2,575</u>	<u>14.72%</u>

The District's net assets for governmental activities were \$2,928,179 on June 30, 2005. The net assets for business type activities were \$25,943 on June 30, 2005. When these are combined, the total combined net assets were \$2,954,122 on June 30, 2005, a 15% increase over 2004.

Governmental Activities

Revenues for governmental activities were \$3,087,339 and expenses were \$2,705,795.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Figure A-4	
	Total and Net Cost of Governmental Activities	
	(expressed in thousands)	
	Total Cost	Net Cost
	of Services	of Services
	\$	\$
Instruction	1,762	1,178
Support Services	773	724
Non-instructional programs	16	16
Other expenses	<u>155</u>	<u>71</u>
Totals	<u>2,706</u>	<u>1,989</u>

- The cost financed by users of the District's programs was \$180,362.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$370,303.
- The net cost of governmental activities was financed with \$1,208,718 in property tax, \$822,388 unrestricted state grants and \$12,331 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$98,529 and expenses were \$100,242. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the CAL Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the fiscal year 2005, its governmental funds reported a combined fund balance of 2,928,179, a 15% increase.

Governmental Fund Highlights

- The District's General Fund financial position has remained fairly constant and is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was offset by the District's increase in General Fund expenditures to meet its financial obligations during the year.
- The General Fund balance increased from \$633,209 to \$805,907, due in part to an increase in tuition revenues and careful monitoring of expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance was \$310,577.
- The Capital Projects was collected for the entire fiscal year ending June 30, 2005 from Franklin County. This money can be used for the same purposes as the District's PPEL funds. The fund balance was \$161,825.

Proprietary Fund Highlights

The School Nutrition Fund net assets for the fiscal year ending June 30, 2005 were \$25,943. The program maintained prices at the same level as the previous year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were \$96,701 more than budgeted receipts, even though the District received less in various components of state aid than originally anticipated. This was offset by increased miscellaneous revenue including tuition.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1,634,417, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) More detailed information about the District's capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$80,704.

Figure A-5
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	10	10	-	-	10	10	0.00%
Site improvements	39	41	-	-	39	41	-4.88%
Buildings	1,452	1,391	-	-	1,452	1,391	4.39%
Furniture and equipment	133	130	-	3	133	133	0.00%
Totals	<u>1,634</u>	<u>1,572</u>	<u>-</u>	<u>3</u>	<u>1,634</u>	<u>1,575</u>	<u>3.75%</u>

The original cost of the District's capital assets was \$3,723,686. Governmental funds account for \$3,696,983, with the remainder of \$26,703 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred due to the purchase of equipment and building improvements. These came primarily from PPEL funds.

Long-Term Debt

At June 30, 2005, the CAL Community School District has no long-term debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- CAL is once again a stand-alone K-12 as the sharing agreement with Dows was final as of June 30, 2005.
- A high percentage of Dows students in grades 9-12 open enrolled or requested affected student status to CAL for the next several years. This increased funds coming into the District.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years. If the Legislature provides adequate allowable growth the District can maintain its financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beverly Stratman, District Secretary, CAL Community School District, 1441 Gull, Latimer, IA 50452.

Basic Financial Statements

CAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,186,099	23,173	1,209,272
Receivables:			
Property tax:			
Current year	13,112	-	13,112
Succeeding year	1,242,684	-	1,242,684
Income surtax - succeeding year	57,230	-	57,230
Due from other governments	43,110	-	43,110
Other receivables	2,477	-	2,477
Inventories	-	2,821	2,821
Capital assets, net of accumulated depreciation	1,634,037	380	1,634,417
Total assets	<u>4,178,749</u>	<u>26,374</u>	<u>4,205,123</u>
Liabilities			
Accounts payable	7,172	-	7,172
Salaries and benefits payable	714	431	1,145
Deferred revenue:			
Succeeding year property tax	1,242,684	-	1,242,684
Total liabilities	<u>1,250,570</u>	<u>431</u>	<u>1,251,001</u>
Net assets			
Invested in capital assets, net of related debt	1,634,037	380	1,634,417
Restricted for:			
Management levy	63,417	-	63,417
Physical plant and equipment levy	69,786	-	69,786
Capital projects	161,825	-	161,825
Unrestricted	999,114	25,563	1,024,677
Total net assets	<u>2,928,179</u>	<u>25,943</u>	<u>2,954,122</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	896,795	180,362	113,069	(603,364)	-	(603,364)
Special instruction	453,416	-	135,122	(318,294)	-	(318,294)
Other instruction	412,008	-	155,870	(256,138)	-	(256,138)
	<u>1,762,219</u>	<u>180,362</u>	<u>404,061</u>	<u>(1,177,796)</u>	<u>-</u>	<u>(1,177,796)</u>
Support services:						
Student services	30,383	-	1,933	(28,450)	-	(28,450)
Instructional staff services	132,444	-	-	(132,444)	-	(132,444)
Administration services	234,129	-	-	(234,129)	-	(234,129)
Operation and maintenance of plant services	233,614	-	38,670	(194,944)	-	(194,944)
Transportation services	141,844	-	7,773	(134,071)	-	(134,071)
	<u>772,414</u>	<u>-</u>	<u>48,376</u>	<u>(724,038)</u>	<u>-</u>	<u>(724,038)</u>
Non-instructional programs:						
Food service operations	15,949	-	-	(15,949)	-	(15,949)
Other expenditures:						
AEA flowthrough	83,366	-	83,366	-	-	-
Facilities acquisition and construction	13,641	-	1,085	(12,556)	-	(12,556)
Depreciation (unallocated)*	58,206	-	-	(58,206)	-	(58,206)
	<u>155,213</u>	<u>-</u>	<u>84,451</u>	<u>(70,762)</u>	<u>-</u>	<u>(70,762)</u>
Total governmental activities	2,705,795	180,362	536,888	(1,988,545)	-	(1,988,545)

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	100,242	48,764	49,765	-	(1,713)	(1,713)
Total	<u>2,806,037</u>	<u>229,126</u>	<u>586,653</u>	<u>(1,988,545)</u>	<u>(1,713)</u>	<u>(1,990,258)</u>
General revenues:						
Property tax levied for:						
General purposes				1,126,625	-	1,126,625
Management				60,065	-	60,065
Capital outlay				76,087	-	76,087
Income surtax				120,262	-	120,262
Local option sales tax				139,864	-	139,864
Unrestricted state grants				822,388	-	822,388
Unrestricted investment earnings				12,331	-	12,331
Other				12,467	-	12,467
Total general revenue				<u>2,370,089</u>	<u>-</u>	<u>2,370,089</u>
Change in net assets				381,544	(1,713)	379,831
Net assets beginning of year				<u>2,546,635</u>	<u>27,656</u>	<u>2,574,291</u>
Net assets end of year				<u>2,928,179</u>	<u>25,943</u>	<u>2,954,122</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Assets				
Cash	799,689	118,715	267,695	1,186,099
Receivables:				
Property tax:				
Current year	11,627	-	1,485	13,112
Succeeding year	1,080,327	-	162,357	1,242,684
Income surtax - succeeding year	57,230	-	-	57,230
Due from other governments	-	43,110	-	43,110
Other receivables	2,477	-	-	2,477
Total assets	<u>1,951,350</u>	<u>161,825</u>	<u>431,537</u>	<u>2,544,712</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	7,172	-	-	7,172
Salaries and benefits payable	714	-	-	714
Deferred revenue:				
Succeeding year property tax	1,080,327	-	162,357	1,242,684
Succeeding year income surtax	57,230	-	-	57,230
Total liabilities	<u>1,145,443</u>	<u>-</u>	<u>162,357</u>	<u>1,307,800</u>
Fund balances:				
Reserved for capital projects	-	161,825	-	161,825
Unreserved	805,907	-	269,180	1,075,087
Total fund balance	<u>805,907</u>	<u>161,825</u>	<u>269,180</u>	<u>1,236,912</u>
Total liabilities and fund balances	<u>1,951,350</u>	<u>161,825</u>	<u>431,537</u>	<u>2,544,712</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 1,236,912
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	57,230
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>1,634,037</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 2,928,179</u></u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,189,657	139,864	136,152	1,465,673
Tuition	112,982	-	-	112,982
Other	92,378	1,085	165,300	258,763
State sources	1,029,410	-	86	1,029,496
Federal sources	138,217	-	24,978	163,195
Total revenues	<u>2,562,644</u>	<u>140,949</u>	<u>326,516</u>	<u>3,030,109</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	896,795	-	15,539	912,334
Special instruction	469,915	-	-	469,915
Other instruction	229,224	-	182,784	412,008
	<u>1,595,934</u>	<u>-</u>	<u>198,323</u>	<u>1,794,257</u>
Support services:				
Student services	30,383	-	-	30,383
Instructional staff services	132,444	-	-	132,444
Administration services	234,129	-	-	234,129
Operation and maintenance of plant services	177,416	-	164,704	342,120
Transportation services	120,325	-	1,245	121,570
Central support services	-	-	-	-
	<u>694,697</u>	<u>-</u>	<u>165,949</u>	<u>860,646</u>
Non-instructional programs:				
Food service operations	<u>15,949</u>	<u>-</u>	<u>-</u>	<u>15,949</u>
Other expenditures:				
AEA flowthrough	83,366	-	-	83,366
Facilities acquisition and construction	-	10,000	3,641	13,641
	<u>83,366</u>	<u>10,000</u>	<u>3,641</u>	<u>97,007</u>
Total expenditures	<u>2,389,946</u>	<u>10,000</u>	<u>367,913</u>	<u>2,767,859</u>
Net change in fund balance	172,698	130,949	(41,397)	262,250
Fund balances beginning of year	<u>633,209</u>	<u>30,876</u>	<u>310,577</u>	<u>974,662</u>
Fund balances end of year	<u>805,907</u>	<u>161,825</u>	<u>269,180</u>	<u>1,236,912</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E)	\$ 262,250
Amounts reported for governmental activities in the statement of activities are different because:	
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	57,230
Undepreciated cost of disposed fixed assets	(3,550)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Capital outlays	144,094
Depreciation expense	(78,480)
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 381,544</u></u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>48,764</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	25,701
Benefits	7,524
Supplies	64,793
Depreciation	<u>2,224</u>
Total operating expenses	<u>100,242</u>
Operating (loss)	<u>(51,478)</u>
Non-operating revenues:	
State sources	1,340
Federal sources	<u>48,425</u>
	<u>49,765</u>
Changes in net assets	(1,713)
Net assets beginning of year	<u>27,656</u>
Net assets end of year	<u><u>25,943</u></u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	48,764
Cash payments to employees for services	(33,629)
Cash payments to suppliers for goods or services	(57,440)
Net cash (used in) operating activities	(42,305)
Cash flows from non-capital financing activities:	
State grants received	1,340
Federal grants received	44,175
Net cash provided by non-capital financing activities	45,515
Net (decrease) in cash and cash equivalents	3,210
Cash and cash equivalents beginning of year	19,963
Cash and cash equivalents end of year	23,173
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(51,478)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,224
Commodities used	4,250
Decrease in inventory	3,103
	(404)
	(42,305)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	23,173

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$4,250.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, CAL Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The CAL Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed budgeted amounts during the year ending June 30, 2005.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$602,722</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	2,197,625	108,506	-	2,306,131
Furniture and Equipment	<u>1,109,330</u>	<u>35,588</u>	<u>3,550</u>	<u>1,141,368</u>
Total capital assets being depreciated	<u>3,546,339</u>	<u>144,094</u>	<u>3,550</u>	<u>3,686,883</u>
Less accumulated depreciation for:				
Site Improvements	198,152	2,441	-	200,593
Buildings	807,421	46,691	-	854,112
Furniture and Equipment	<u>978,893</u>	<u>29,348</u>	<u>-</u>	<u>1,008,241</u>
Total accumulated depreciation	<u>1,984,466</u>	<u>78,480</u>	<u>-</u>	<u>2,062,946</u>
Total capital assets being depreciated, net	<u>1,561,873</u>	<u>65,614</u>	<u>3,550</u>	<u>1,623,937</u>
Governmental activities, capital assets, net	<u>\$ 1,571,973</u>	<u>65,614</u>	<u>3,550</u>	<u>1,634,037</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	26,703	0	-	26,703
Less accumulated depreciation	<u>24,099</u>	<u>2,224</u>	<u>-</u>	<u>26,323</u>
Business type activities capital assets, net	<u>\$ 2,604</u>	<u>(2,224)</u>	<u>-</u>	<u>380</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

20,274
58,206
\$ 78,480

Business Type activities:

Food service operations

\$ 2,224

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$78,748, \$81,336, and \$87,554 respectively, equal to the required contributions for each year.

(5) Risk Management

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$83,366 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,837,418	48,764	1,886,182	1,763,577	1,763,577	122,605
State sources	1,029,496	1,340	1,030,836	1,112,739	1,112,739	(81,903)
Federal sources	163,195	48,425	211,620	155,621	155,621	55,999
Total revenues	3,030,109	98,529	3,128,638	3,031,937	3,031,937	96,701
Expenditures:						
Instruction	1,794,257	-	1,794,257	1,932,601	1,932,601	138,344
Support services	860,646	-	860,646	999,000	999,000	138,354
Non-instructional programs	15,949	100,242	116,191	177,516	177,516	61,325
Other expenditures	97,007	-	97,007	250,629	250,629	153,622
Total expenditures	2,767,859	100,242	2,868,101	3,359,746	3,359,746	491,645
Excess (deficiency) of revenues over (under) expenditures	262,250	(1,713)	260,537	(327,809)	(327,809)	588,346
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	262,250	(1,713)	260,537	(327,809)	(327,809)	588,346
Balance beginning of year	974,662	27,656	1,002,318	934,204	934,204	68,114
Balance end of year	1,236,912	25,943	1,262,855	606,395	606,395	656,460

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	62,797	135,977	68,921	267,695
Property tax receivable:				
Current year	620	-	865	1,485
Succeeding year	<u>60,000</u>	<u>-</u>	<u>102,357</u>	<u>162,357</u>
Total assets	<u>123,417</u>	<u>135,977</u>	<u>172,143</u>	<u>431,537</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>60,000</u>	<u>-</u>	<u>102,357</u>	<u>162,357</u>
	<u>60,000</u>	<u>-</u>	<u>102,357</u>	<u>162,357</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>63,417</u>	<u>135,977</u>	<u>69,786</u>	<u>269,180</u>
	<u>63,417</u>	<u>135,977</u>	<u>69,786</u>	<u>269,180</u>
Total liabilities and fund equity	<u>123,417</u>	<u>135,977</u>	<u>172,143</u>	<u>431,537</u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	60,065	-	76,087	136,152
Other	11,246	151,694	2,360	165,300
State sources	30	-	56	86
Federal sources	-	-	24,978	24,978
Total revenues	<u>71,341</u>	<u>151,694</u>	<u>103,481</u>	<u>326,516</u>
Expenditures:				
Instruction:				
Regular instruction	-	-	15,539	15,539
Co-curricular instruction	-	182,784	-	182,784
Support services:				
Plant operation and maintenance	60,693	-	104,011	164,704
Student transportation	745	-	500	1,245
Other expenditures:				
Facility acquisition and construction services	-	-	3,641	3,641
Total expenditures	<u>61,438</u>	<u>182,784</u>	<u>123,691</u>	<u>367,913</u>
Excess (Deficiency) of revenues over (under) expenditures	9,903	(31,090)	(20,210)	(41,397)
Fund balances beginning of year	<u>53,514</u>	<u>167,067</u>	<u>89,996</u>	<u>310,577</u>
Balance end of year	<u><u>63,417</u></u>	<u><u>135,977</u></u>	<u><u>69,786</u></u>	<u><u>269,180</u></u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	1,067	1,995	4,899	(1,837)
Vocal Music	795	1,704	2,969	(470)
Instrumental Music	972	118	5,476	(4,386)
Golf	421	8	334	95
Cross Country	802	437	1,203	36
Boys Basketball	4,003	4,061	3,510	4,554
Football	5,719	5,283	7,467	3,535
Baseball	1,963	(140)	2,038	(215)
Boys Track	1,014	1,532	3,459	(913)
Girls Basketball	4,537	6,503	7,798	3,242
Volleyball	2,157	5,582	5,252	2,487
Softball	3,098	1,201	5,605	(1,306)
Girls Track	2,052	61	2,080	33
Early Childhood/Preschool	778	645	-	1,423
Annual	869	4,595	7,751	(2,287)
Activity Passes	-	6,666	3,776	2,890
Art Club	-	482	394	88
Swing Choir	449	196	90	555
FFA	6,703	9,827	6,071	10,459
Cheerleaders	4,727	1,736	3,624	2,839
National Honor Society	167	-	835	(668)
Washington DC Trip	195	-	-	195
Spanish Club	407	14,041	14,815	(367)
Student Council	6,015	17,495	18,270	5,240
Class of 2007	1,057	567	50	1,574
Class of 2003	140	-	140	-
Class of 2004	298	-	298	-
High School Activity	395	554	231	718
Class of 2005	1,812	81	1,719	174
Class of 2006	1,454	3,513	4,335	632
Class of 2008	-	3,199	2,132	1,067
Elementary Activity	1,394	5,011	4,588	1,817
Wrestling	3,194	1,718	6,974	(2,062)
Student Pictures	1,153	1,153	1,153	1,153
Concessions	-	-	40	(40)
Concessions Equipment	2,685	1,500	1,500	2,685
Nurses Fund	584	50	-	634
Interest	101,643	44,676	45,552	100,767
Jump Rope for Heart	390	591	870	111
Music Resale	-	1,482	1,906	(424)
Art Resale	40	55	-	95
Materials for Resale	(696)	636	742	(802)
RIF	2,614	2,880	2,838	2,656
Total	167,067	151,694	182,784	135,977

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2005	2004	2003	2002
Local sources:				
Local tax:				
Property tax	1,262,777	1,234,450	1,177,218	1,179,780
Local option sales tax	139,864	30,876	-	-
Income surtax	63,032	52,380	57,421	58,249
	<u>1,465,673</u>	<u>1,317,706</u>	<u>1,234,639</u>	<u>1,238,029</u>
State sources:				
State foundation aid	822,388	774,096	755,257	710,424
School improvement and technology	-	-	-	10,994
AEA flow through	83,366	85,778	92,203	92,417
Instructional support	7,283	7,709	12,606	8,973
Iowa Early Intervention Block Grant	14,489	16,994	20,098	13,403
Shelter Care/Juvenile Home Aid	-	-	-	11,057
Educational Excellence Program:				
Phase I	36,384	38,461	33,516	37,706
Phase II	22,027	23,833	21,899	24,500
Phase III	-	-	8,859	14,001
Non-public transportation aid	7,773	8,882	8,248	10,994
Non-public textbook aid	390	524	1,076	840
Vocational education aid	3,786	4,797	3,374	3,681
Military credit replacement	645	634	597	640
Teacher mentoring	5,200	3,900	3,900	1,300
Teacher compensation	25,765	25,242	21,789	21,733
Evaluator training	-	2,000	2,000	-
Lunch and breakfast program claims	1,340	1,254	1,516	1,514
Other state aid	-	-	27,400	271
	<u>1,030,836</u>	<u>994,104</u>	<u>1,014,338</u>	<u>964,448</u>
Federal sources:				
Class Size Reduction	-	-	-	4,175
Improving Teacher Quality - State Grant	10,551	11,198	7,540	-
Rural Education Achievement Program	25,852	28,371	24,622	-
Safe and Drug Free Schools	1,933	3,402	1,606	1,580
Title I Program	62,505	59,436	50,449	42,828
Innovative Education Program Strategies	3,560	2,236	-	2,135
Other federal sources	58,794	21,716	31,067	-
Food distribution	4,250	8,262	9,298	5,718
School nutrition	44,175	40,208	41,351	36,511
	<u>211,620</u>	<u>174,829</u>	<u>165,933</u>	<u>92,947</u>
Total	<u>2,708,129</u>	<u>2,486,639</u>	<u>2,414,910</u>	<u>2,295,424</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Education of the
CAL Community School District:

Compliance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statement listed in the table of contents, and have issued our report thereon date November 17, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether, CAL Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of CAL Community School District and other parties to whom CAL Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

November 17, 2005

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the certified budgeted amount

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions - No business transactions between the District and District officials or employees.

05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I Certified Annual Report - We noted that the Certified Annual Report was filed after the September 15, 2005 deadline.
- Recommendation -We recommend that future reports be filed in a timely manner.
- Response - We will file future reports in a timely manner.
- Conclusion - Response accepted.
- 05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

